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Exhibit II

Schedule of Financial Arrangements  
and  
Sale Order Provisions

<u>Provider</u>	<u>Financial Arrangement</u>	<u>Provisions in Sale Order</u>
<b>Financial Facilities</b>		
Financial Security Assurance Inc.	Bond Insurance Policy, Series 2003(A)	FSA Supplement, Part 1
Financial Security Assurance Inc.	Bond Insurance Policy, Series 2003(B)	FSA Supplement, Part 1
Dexia Credit Local, acting through its New York Agency	Standby Bond Purchase Agreement, Series 2003(B)	None, separate agreement
<b>Reserve Account Surety Policies</b>		
Financial Security Assurance Inc.	Debt Service Reserve Account Policy, Series 2003(A) and 2003(B)	FSA Supplement, Part 2 (Also separate Insurance Agreement)

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Exhibit II Page 1

[2.2.5.2.28] [5.22.2003 Closing Transcript Sewer Series 2003(A), (B).pdf] [Page 161 of 1542]

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Annex A

**General Terms of 2003 Securities Supplement**  
This **General Terms of 2003 Securities Supplement** is a supplement to the **Composite Sale Order with respect to Series 2003 Securities** executed by the Finance Director of the City of Detroit and constitutes a part of the Sale Order.

## **Article I. Definitions**

### **Section 1.01 Definitions.**

In addition to the terms defined in or pursuant to the Sale Order, the following terms shall have the following respective meanings for all purposes of the Sale Order unless the context clearly otherwise requires:

*"Holder"* and *"Securityholder"* means, as to any particular Security, the Person in whose name such Security is registered on the books maintained for that purpose by the Registrar.

*"Paying Agent"* means, as to any particular Security, the Person by whom such Series 2003 Security is payable in respect of interest or principal (and premium, if any), as the case may be.

*"Principal Installment Date"* means any July 1.

*"Registrar"* means, as to any particular Security, the Person who maintains the Registry therefor pursuant to the Sale Order.

*"Registry"* means as to any particular Security, the books for the registration thereof maintained by the Registrar.

## **Article II. General Terms**

### **Section 2.01 Numbers and Prefixes.**

Series 2003 Securities shall be numbered consecutively from "1" within each Type and prefixed with the letter "R."

### **Section 2.02 Form, Title and Additional Designations.**

The Non-Provider Securities shall be in the form prescribed by the Bond Resolution, shall contain such terms as to interest, redemption, tender rights and conversion, as applicable, as are approved by the Finance Director and are consistent with the Bond Resolution and this Sale Order, and shall bear title, series designation and additional designations as provided in the respective signature pages to the Sale Order. Execution and delivery of Non-Provider Securities

as provided in the Bond Resolution shall constitute approval by the Finance Director of the matters set forth therein.

**Section 2.03 Dating.**

Upon initial issuance, all Non-Provider Securities that are Fixed Rate Securities shall be dated as of May 15, 2003 and all that are Variable Rate Securities shall be dated as of the Closing Date.

**Section 2.04 Execution.**

Series 2003 Securities shall be executed as provided in Section 5(j) of the Bond Resolution.

**Section 2.05 Maturities and Interest Rates.**

Maturities and interest rates for each Type shall be as provided in the Schedule of Terms appended to the respective signature pages to the Sale Order.

**Section 2.06 Interest.**

Each Security shall bear interest from its date or from the most recent Interest Payment Date on which interest has been paid or duly provided for through the day before the next Interest Payment Date, and such interest shall be payable at the rate established for such Security in or pursuant to the Sale Order, calculated at the applicable Day Count Convention and payable as provided in the Bond Resolution except that interest on Modal Securities shall be payable as provided in the VRM Supplement.

**Section 2.07 Manner and Places of Payment.**

(a) **Principal.** Principal and premium, if any, of Series 2003 Securities is payable as provided in Section 5(c) of the Bond Resolution and in the case of Variable Rate Securities is also payable at the office of the Tender Agent upon presentation and surrender thereof.

(b) **Interest.** Interest on Series 2003 Securities is payable as provided in Section 5(d) of the Bond Resolution and in the case of Variable Rate Securities is also payable as provided in the VRM Supplement.

(c) **Defeasance.** For purposes of Section 22 of the Bond Ordinance as it relates to the defeasance of the Series 2003 Securities, and subject to any requirements of FSA as provided in the FSA Supplement, "Permitted Investments" shall include only direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States of America which otherwise meet the requirements of Act 94 and of the Bond Ordinance.

**Section 2.08 Initial Issuance.**

The Series 2003 Securities shall be issued in certificated form, fully registered in the name of the Securities Depository or its nominee and shall be initially issued in the fewest

certificates for each CUSIP number as are possible under the regulations of the Securities Depository governing the maximum denomination of a single certificate.

**Section 2.09 Authentication after Initial Issuance**

After initial issuance, Series 2003 Securities shall be authenticated as follows:

- (1) All Fixed Rate Securities shall be authenticated by the Transfer Agent.
- (2) Modal Securities:
  - (i) All Variable Rate Securities issued in transfer, exchange, redemption or purchase, and Modal Fixed Rate Securities issued on a Mode Change Date, shall be authenticated by the Tender Agent.
  - (ii) All Modal Fixed Rate Securities issued in transfer, exchange, redemption or purchase shall be authenticated by the Transfer Agent.
- (3) All Provider Securities in certificated form shall be authenticated by the Tender Agent.

**Section 2.10 Provider Securities.**

The terms of Provider Securities shall be as provided in the VRM Supplement.

**Section 2.11 Term Securities and Sinking Fund Installment Redemption.**

(a) Series 2003 Securities identified in the Schedule of Terms appended to the respective signature pages to the Sale Order as Term Securities are subject to redemption from Sinking Fund Installments as set forth therein. Sinking Fund Installments for Variable Rate Securities may be changed as provided in the VRM Supplement.

(b) Term Securities subject to Sinking Fund Installments are subject to redemption upon notice given as provided in this Supplement in part on each Principal Installment Date in the amount of the Sinking Fund Installment for such Principal Installment Date after giving effect to any amounts credited to such Sinking Fund Installment as a result of the redemption or purchase of Term Securities of such maturity pursuant to Section 4.04 of this Supplement at a Redemption Price of 100% of the principal amount thereof to be redeemed plus interest accrued to the Redemption Date.

**Section 2.12 Optional Redemption.**

(a) Fixed Rate Securities: As provided in the signature pages for the Fixed Rate Securities.

(b) Modal Securities: As provided in the VRM Supplement.

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Article III

Exchange and New Certificates

Section 3.01 Exchange

Reference is made to Section 5(f) of the Bond Resolution for provisions relating to the exchange of Series 2003 Securities; provided that references therein to "Transfer Agent" shall instead refer to "Tender Agent" in the case of Variable Rate Securities.

Section 3.02 New Certificates.

If a certificated Series 2003 Security bearing a particular CUSIP number (a "*Predecessor Security*") is no longer fungible with all other certificated Series 2003 Securities bearing the same CUSIP number, then a new Series 2003 Security in the appropriate certificated form shall be executed by the City, authenticated by the Transfer Agent or Tender Agent, as the case may be, and delivered in exchange for the Predecessor Security if and when required by the Securities Depository.

Article IV.

Redemption

Section 4.01 Selection of Series 2003 Securities for Redemption.

(a) Unless required to satisfy maturing Sinking Fund Installments, maturities of Series 2003 Securities to be selected for redemption shall be selected for redemption in such manner as the Finance Director deems appropriate, and Series 2003 Securities to be selected for redemption within a maturity when less than the maturity is to be called for redemption shall be selected by lot.

(b) Of the Series 2003 Securities to be selected for redemption, such Series 2003 Securities shall be selected in multiples of the minimum Authorized Denomination thereof, and Series 2003 Securities of denominations of more than such minimum Authorized Denomination shall be treated as representing the number of Series 2003 Securities obtained by dividing the denomination of the Series 2003 Security by such minimum Authorized Denomination, and such Series 2003 Securities may be selected for redemption in part.

Section 4.02 Notice of Redemption.

(a) When Series 2003 Securities, or portions thereof, are to be redeemed, the Registrar for such Series 2003 Securities shall in its own name or in the name of the City, give notice by first class mail not less than 30 days prior to the date fixed for redemption to the registered owners of the Series 2003 Securities or portions thereof to be redeemed at their addresses set forth in the Registry.

(b) Each such notice shall specify the complete name and the CUSIP numbers of the Series 2003 Securities to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable (including the name, address and telephone number of a contact person at such places) and, if less than all the Series 2003 Securities are to

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be redeemed, the letters and numbers or other distinguishing marks of such Series 2003 Securities to be redeemed, and such notice shall also specify the respective portions of the principal amounts thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Series 2003 Security, or a portion thereof to be redeemed, the redemption price thereof, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable.

(c) A copy of each notice shall be sent by the Registrar to (i) at least two of the national information services that disseminate redemption notices or redemption notice information (so long as two such services exist), and (ii) to each Provider of a Financial Facility, if any, in respect of such Series 2003 Securities except in the case of redemption by reason of Sinking Fund Installments.

#### **Section 4.03 Payment of Series 2003 Securities Called for Redemption.**

(a) Notice having been given in the manner herein provided, the Series 2003 Securities so called for redemption shall become due and payable on the date fixed for the redemption thereof at the applicable Redemption Price, plus interest accrued to the date of redemption and shall be paid as provided in Section 2.07 hereof.

(b) If, on the Redemption Date for any Series 2003 Securities, moneys for the payment of the Redemption Price thereof, plus interest to accrue to the Redemption Date, are held by the Paying Agent therefor so as to be available therefor on said date, and if notice of redemption shall have been given as aforesaid, then, from and after such Redemption Date such Series 2003 Securities so called for redemption shall cease to bear interest; otherwise, such Series 2003 Securities shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

#### **Section 4.04 Satisfaction of Mandatory Redemption Requirements.**

Reference is made to Section 11(b) of the Bond Resolution for provisions relating to the satisfaction of Mandatory Redemption Requirements. References in the Bond Resolution to "Mandatory Redemption Requirements" refer to Sinking Fund Installments.

#### **Section 4.05 Redemption of Less than all of a Security.**

If there shall be called for redemption less than all of a Series 2003 Security in a denomination greater than minimum Authorized Denomination thereof, the City shall execute (if not otherwise executed) and the Registrar therefor shall authenticate and deliver upon surrender of such Series 2003 Security, without charge to such Holder thereof, a Series 2003 Security or Series 2003 Securities in any Authorized Denomination specified by such Holder not in excess of the aggregate principal of the unredeemed portion of such Series 2003 Security of the same tenor bearing interest at the same rate and maturing on the same date in the amount of the unredeemed portion of the Series 2003 Security so surrendered.

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**Section 4.06 Redemption of Provider Bonds.**

The foregoing provisions of this Article IV are subject in their entirety to such qualifications relating to redemption, selection for redemption, notice of redemption or otherwise for Provider Bonds as may be contained in the Provider Bonds and/or in the VRM Supplement.

**Article V.  
Securities Depository and Financial Facilities**

**Section 5.01 Concerning the Securities Depository.**

(a) Reference is made to Section 7 of the Bond Resolution for provisions concerning the Securities Depository.

(b) Section 7 is hereby modified in order to conform to current municipal finance practices:

(1) All references therein to the "Transfer Agent" shall include the Tender Agent to the extent otherwise applicable.

(2) All references therein to a "representation letter" shall, in the absence of a representation letter in accordance with current procedures of the Securities Depository, refer to the current operational procedures between the Securities Depository and the Transfer Agent and, if applicable, the Tender Agent.

(d) All provisions of Section 7 as above modified shall govern to the extent of any conflict with other provisions of the Sale Order except as may be otherwise required by a Financial Facilities Agreement.

**Section 5.02 Financial Facility Agreements.**

So long as any Financial Facility entered into pursuant to the Sale Order is in effect, and the obligor thereunder has not failed to comply with its payment obligations, the provisions thereof shall govern to the extent of any conflict with the Sale Order.

*[End of General Terms of 2003 Securities Supplement]*

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Annex B

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**VARIABLE RATE MODE SUPPLEMENT AND AGREEMENT**

among

**CITY OF DETROIT,**  
as Issuer

**U. S BANK NATIONAL ASSOCIATION,**  
as Transfer Agent,

and

**U. S BANK NATIONAL ASSOCIATION,**  
as Tender Agent

---

**Dated as of May 1, 2003**

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with respect to

**CITY OF DETROIT**  
**SEWAGE DISPOSAL SYSTEM SENIOR LIEN REVENUE BONDS,**  
**SERIES 2003(B)**

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TABLE OF CONTENTS

ARTICLE I DEFINITIONS AND PROVISIONS OF GENERAL APPLICATION	1
Section 1.01. Definitions	1
Section 1.02. Other Definitions	9
Section 1.03. Interpretation	10
Section 1.04. Time	10
ARTICLE II MODAL SECURITIES	11
Section 2.01. Title Change on Certain Mode Changes	11
Section 2.02. Changes in Connection with Mode Change	11
Section 2.03. Interest	12
Section 2.04. Payment of Interest	12
ARTICLE III INTEREST RATE DETERMINATIONS	13
Section 3.01. Manner of Determining Interest Rates	13
Section 3.02. Interest Rate Determination for Flexible Rate Mode	13
Section 3.03. Interest Rate Determinations for All Other Modes	14
Section 3.04. Failure of Interest Rate Determination	14
ARTICLE IV MODES AND PERIODS	15
Section 4.01. Modes	15
Section 4.02. Duration of Modes	16
Section 4.03. Length of Flexible Rate Periods	16
Section 4.04. Limitations on Length of Flexible Rate Periods	17
Section 4.05. Length of Term Rate Periods	17
Section 4.06. Limitations on Length of a Term Rate Period	18
Section 4.07. Finance Director Fails to Elect New Term Rate Period	19
Section 4.08. Effectiveness of Modes	19
Section 4.09. Conditions Precedent to Mode Change	19
Section 4.10. Election of Mode Change; How Effected; Irrevocability	21
Section 4.11. Selection of Variable Rate Securities	21
Section 4.12. Contents of Mode Change Notice	22
Section 4.13. Notice to Variable Rate Modal Securityholders and Liquidity Facility Providers	23
ARTICLE V REDEMPTION OF MODAL SECURITIES	23
Section 5.01. Optional Redemption – Short-Term and Term Rate Securities	23
Section 5.02. Optional Redemption – Modal Fixed Rate Securities	24
Section 5.03. Limitation on Optional Redemption	25
Section 5.04. Redemption of Provider Securities	25
ARTICLE VI RIGHT OF OPTIONAL TENDER AND MANDATORY TENDER EVENTS	25
Section 6.01. Tender at Option of Modal Holder	25
Section 6.02. Mandatory Tender Events	26
Section 6.03. Mandatory Tender on Expiry Date	27
Section 6.04. Suspension of Optional Tender Rights	27
ARTICLE VII TENDER AND PURCHASE	28
Section 7.01. Notice of Mandatory Tender	28
Section 7.02. Interest to No Longer Accrue	28
Section 7.03. Remarketing of Provider Securities	29
Section 7.04. Remarketing by Remarketing Agent; Priority to Provider-Owned Variable Rate Securities	29
Section 7.05. Draw Information to be Provided by Remarketing Agent; Transfer of Amounts	29
Section 7.06. Draws on Liquidity Facility	30
Section 7.07. City Not Obligated to Pay Purchase Price	30
Section 7.08. Payment of Purchase Price	30
Section 7.09. Tender of Less than all of Security	30
Section 7.10. Notification and Delivery of Remarketed Tender Securities	31

Section 7.11. Actions on Purchase Date.....	31
ARTICLE VIII FUNDS AND ACCOUNTS.....	33
Section 8.01. Creation of Funds and Accounts.....	33
Section 8.02. "Sufficient Time" for Payments under Credit Facilities.....	33
Section 8.03. Credit Facility Draws.....	33
Section 8.04. Liquidity Facility Draws.....	34
Section 8.05. Application of the Credit Facility Fund.....	34
Section 8.06. Application of the Remarketing Fund.....	35
Section 8.07. Subrogation Rights.....	35
Section 8.08. Provider Securities.....	35
Section 8.09. Investment of Moneys.....	36
Section 8.10. No Lien or Claims.....	37
Section 8.11. Money Held for Particular Modal Securities.....	37
ARTICLE IX BOND INSURANCE POLICY AND FINANCIAL FACILITIES.....	37
Section 9.01. When Required.....	37
Section 9.02. Financial Facility Principal and Interest Requirements.....	37
Section 9.03. Terms of Conforming Financial Facilities.....	38
Section 9.04. Substitution of Financial Facilities.....	39
Section 9.05. Excluded Securities.....	40
Section 9.06. Reduction and Cancellation.....	40
Section 9.07. Termination by Provider.....	41
Section 9.08. Acknowledgement of Covenants.....	41
ARTICLE X BOND INSURANCE.....	42
Section 10.01. Location of Provisions.....	42
ARTICLE XI CONCERNING THE TENDER AGENT AND THE REMARKETING AGENT.....	42
Section 11.01. Tender Agent; Qualifications.....	42
Section 11.02. Responsibilities of Tender Agent.....	42
Section 11.03. Remarketing Agent.....	43
ARTICLE XII MISCELLANEOUS.....	43
Section 12.01. Limitation on Defeasance.....	43
Section 12.02. Amendments.....	43
Section 12.03. Notices to Rating Agencies.....	44
Section 12.04. Notices.....	44
Section 12.05. Severability.....	45
Section 12.06. Payments Due and Acts to be Performed on Non-Modal Business Days.....	45
Section 12.07. Captions; Table of Contents.....	46
Section 12.08. Counterparts.....	46
Section 12.09. Governing Law.....	46
Signatures.....	S-1

This **Variable Rate Mode Supplement and Agreement** (the "**Agreement**"), dated as of May 1, 2003, among the **City of Detroit, Michigan** (the "**City**"), **U.S. Bank National Association**, a national banking association with its designated corporate trust office located in Detroit, Michigan (the "**Transfer Agent**"), as Transfer Agent under the under the Bond Resolution with respect to the Series 2003 Securities, adopted on May 7, 2003 (the "**Bond Resolution**"), and **U.S. Bank National Association**, a national banking association with its designated office located in New York, New York, as Tender Agent hereunder (the "**Tender Agent**"), is a supplement to the **Composite Sales Order with respect to Series 2003 Securities** executed by the Director of Finance of the City of Detroit and together therewith and with all other supplements and all exhibits constitutes the "**Sale Order**."

Intending to be legally bound hereby, the parties hereto agree as follows:

**ARTICLE I**  
**DEFINITIONS AND PROVISIONS OF GENERAL APPLICATION**

**Section 1.01. Definitions.**

Unless the context clearly otherwise requires, (i) capitalized terms not defined herein and defined in the Bond Resolution or elsewhere in the Sale Order are used herein as therein defined and (ii) the following terms have the following respective meanings:

"**Account**" means any account established by Section 8.01.

"**Alternative Term Rate**" means, for any Term Rate Determination Date, the index published or provided by Kenny Information Systems that is based on yield evaluations at par of Securities, the interest on which is excluded from gross income for purposes of federal income taxation and are not subject to a "minimum tax" or similar tax under the Internal Revenue Code of 1986, as amended (unless all tax-exempt Securities are subject to such tax). The Securities upon which the index is based shall include not less than five "high grade" component issuers selected by Kenny Information Systems, which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time-to-time by Kenny Information Systems in its discretion. The yield evaluation period for the index shall be a one year evaluation.

"**Alternative Weekly Rate**" means the BMA Municipal Swap Index; and if the BMA Municipal Swap Index ceases to be published, then a new third-party index shall be selected in good faith by the City that has the described composition and methodology of the BMA Municipal Swap Index to the extent there is such an index that is readily available to the Remarketing Agent.

"**Auction Rate Mode**" means the method by which interest is determined pursuant to the Auction Rate Mode Supplement.

"**Auction Rate Mode Supplement**" means the document described in Section 4.09(b) below.

"**Auction Rate Security**" means a Series 2003 Security in the Auction Rate Mode.

"**Authorized Denominations**" means,

(i) for Variable Rate Securities, \$100,000 and any multiple of \$5,000 in excess thereof;

(ii) for Modal Fixed Rate Securities, \$5,000 and any multiple thereof.

"*Authorizing Documents*" means the Bond Ordinance, the Bond Resolution and the Sale Order.

"*BMA Municipal Swap Index*" means the index based upon the weekly interest rates of tax-exempt variable rate issues included in a database maintained by the Municipal Market Data, Boston, Massachusetts, a Thompson Financial Services Company (or its successor), which meet specific criteria established by The Bond Market Association.

"*Bond Counsel*" means Howard and Howard Attorneys, P.C. and Lewis & Munday, A Professional Corporation, Bond Counsel to the City with respect to the Series 2003 Securities, or such other firm or firms of national recognized standing in the field of tax-exempt municipal bonds as may be appointed by the City in lieu thereof.

"*Bond Insurance Policy*" means the municipal bond new issue insurance policy issued by the Bond Insurer that guarantees the scheduled payment of principal of and interest on the Series 2003 Securities.

"*Bond Insurer*" means Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto.

"*Bond Resolution*" has the meaning given that term in the first paragraph of this instrument.

"*City*" has the meaning given that term in the first paragraph of this instrument.

"*Closing*" means the delivery of the Securities to, and payment for such Securities by, the purchasers identified in the Sale Order and the other actions in connection therewith.

"*Closing Date*" means the date on which the Closing occurs.

"*Conforming Financial Facility*" means a Financial Facility conforming to the requirements of Section 9.03.

"*Credit Enhancement*" means, as of any date, any Credit Facility or the Bond Insurance Policy then in effect.

"*Credit Enhancement Provider*" means the Bond Insurer and any Credit Facility Provider.

"*Credit Facility Provider*" means the obligor under a Credit Facility.

"*Daily Mode*" means the Mode that has all of the attributes provided by this Agreement for Variable Rate Securities bearing interest at a Daily Rate.

"Daily Rate" when used as a noun means a rate of interest determined as provided herein for the Daily Mode.

"Daily Rate Security" means any Variable Rate Security in the Daily Mode.

"Day Count Convention" means:

(i) for any Short-Term Security, the actual number of days elapsed in the then current calendar year; and

(ii) for any Long-Term Security, 30-day months in a 360-day year.

"Dexia" means Dexia Credit Local, acting through its New York Agency.

"drawn" means the making of funds available to the Tender Agent under a Financial Facility, whether as a purchase of Securities under a standby bond purchase agreement, a drawing under a letter of credit or otherwise. Correlatives of "drawn" have correlative meanings.

"Electronic Means" means (i) any means of electronically communicating by written word, such as, without limitation, telecopier or other facsimile transmission and e-mail transmission and (ii) any means of electronically communicating by spoken word, such as, without limitation, telephone; so long as, the mode of the Electronic Means is acceptable to the recipient and the communication by Electronic Means is promptly confirmed by a manually signed writing or otherwise authenticated to the satisfaction of the recipient.

"Excluded Security" means a Modal Security that is both an Excluded Credit Enhancement Security and an Excluded Liquidity Facility Security.

"Excluded Credit Enhancement Security" means any Modal Security for which the Credit Enhancement was terminated pursuant to Section 9.05.

"Excluded Credit Facility Security" means any Modal Security for which the Credit Facility was terminated pursuant to Section 9.05.

"Excluded Liquidity Facility Security" means any Variable Rate Security for which the Liquidity Facility was terminated pursuant to Section 9.05.

"Expiry Date" means the date on which a Financial Facility expires by its terms (including any voluntary termination by the City) and not by reason of any Termination Event.

"Favorable Bond Counsel's Opinion" means, with respect to any action the occurrence of which requires such an opinion of Bond Counsel, an opinion of Bond Counsel to the effect that (i) such action is authorized or permitted by this Agreement, the Sale Order and the Authorizing Documents, and (ii) such action will not adversely affect the exemption of the interest on the Series 2003 Securities from federal and state income taxation (subject to customary exceptions).

"Flexible Rate" means a rate of interest determined as provided herein for the Flexible Rate Mode.

"*Flexible Rate Mode*" means the Mode that has all of the attributes provided by this Agreement for Variable Rate Securities bearing interest at a Flexible Rate.

"*Flexible Rate Security*" means any Variable Rate Security in the Flexible Rate Mode.

"*FSA Supplement*" means the supplement of that name attached as Annex C to the Sale Order.

"*Fund*" means any fund established by Section 8.01.

"*Immediate Termination Event*" means a Termination Event occurring under a Financial Facility that does not provide for a period after such occurrence during which the affected Modal Securities may be called for tender.

"*Initial Mode*" means the Mode identified in the Schedule of Terms for Modal Securities appended to the Sale Order as the Mode in which Modal Securities will be initially issued. It is not required that the Initial Mode be the same for all Modal Securities.

"*Interest Account*" means the account by that name established by Section 8.01.

"*Interest Adjustment Date*" means, for any date after the Closing Date:

- (i) for a Daily Rate Security, each Rate Determination Date for such Daily Rate Security;
- (ii) for a Weekly Rate Security, the Mode Change Date for such Weekly Rate Security and thereafter each Thursday;
- (iii) for a Term Rate Security, the Mode Change Date for such Term Rate Security and thereafter the first day of each Term Rate Period;
- (iv) for a Flexible Rate Security, each Rate Determination Date for such Flexible Rate Security; and
- (v) for a Modal Fixed Rate Security, the Mode Change Date for such Modal Fixed Rate Security.

"*Interest Payment Date*" means each date on which interest is to be paid and is:

- (i) for a Daily Rate Security, the first Modal Business Day of each calendar month;
- (ii) for a Weekly Rate Security, the first Modal Business Day of each calendar month;
- (iii) for a Flexible Rate Security, the last day of the Period for the particular Flexible Rate Security;
- (iv) for a Term Rate Security, each Stated Interest Payment Date occurring after the Mode Change Date for such Term Rate Security; and

(v) for a Modal Fixed Rate Security, each Stated Interest Payment Date occurring after the Mode Change Date for such Modal Fixed Rate Security.

"*Last Put Termination Date*" means the date on which a Financial Facility terminates by reason of a Last Put Termination Event.

"*Last Put Termination Event*" means a Termination Event occurring under a Financial Facility that provides for a period after such occurrence during which the affected Modal Securities may be called for tender.

"*Last Put Termination Notice*" means a notice from a Provider stating that it is terminating its Financial Facility by reason of a Last Put Termination Event.

"*Legal Maximum Rate*" means the maximum interest rate per annum permitted by law.

"*Liquidity Facility*" means any letter of credit, line of credit, purchase agreement, or other financial arrangement intended to provide funds for the purchase of certain Variable Rate Securities in the event of a failure of the remarketing thereof but does not include any protection provided by a Credit Facility. The Liquidity Facility in effect on the Closing Date is the Standby Bond Purchase Agreement between the City and Dexia.

"*Liquidity Facility Provider*" means the obligor under a Liquidity Facility. The Liquidity Facility Provider in effect on the Closing Date is Dexia.

"*Long-Term Security*" means a Modal Security in a Long-Term Mode.

"*Long-Term Mode*" means a Term Rate Mode and a Modal Fixed Rate Mode.

"*Maximum Provider Rate*" means 18% per annum.

"*Modal Business Day*" means a day on which the Transfer Agent, the Tender Agent, the Remarketing Agent, each Provider and banks or trust companies in New York, New York, are not authorized or required to remain closed and on which the New York Stock Exchange is not closed.

"*Modal Fixed Rate*" means a rate of interest determined as provided herein for the Modal Fixed Rate Mode.

"*Modal Fixed Rate Security*" means any Variable Rate Security in the Modal Fixed Rate Mode.

"*Modal Fixed Rate Mode*" means the Mode that has all of the attributes provided by this Agreement for Variable Rate Securities bearing interest at a Modal Fixed Rate.

"*Modal Holder*" and "*Modal Securityholder*" means the Person in whose name a Modal Security is registered in the Registry.

"*Modal Maximum Rate*" means, as to any Modal Security, the lesser of the Stated Maximum Rate and the Legal Maximum Rate. The Modal Maximum Rate is not applicable to any Provider Security.



"Modal Securities" means, as of any particular date, such of the Series 2003(B) Securities described on the Signature Pages for Modal Securities, including the addendum thereto, that are:

- (i) Variable Rate Securities or Modal Fixed Rate Securities; and
- (ii) for purposes of Credit Enhancement, Credit Facility draws and in respect of the Credit Facility Fund,

(A) Provider Securities and

(B) Variable Rate Securities that have become an Auction Rate Securities unless and until such Auction Securities become Excluded Credit Enhancement Securities.

"Mode" means any of the methods of determining an interest rate for the Series 2003(B) Securities permitted by this Agreement.

"Mode Change Date" means the date on which a Mode change becomes or is intended to become effective.

"Mode Change Notice" means the notice from the Finance Director to the other Notice Parties of the Finance Director's intention to change a Mode.

"Notice Address" means the address that a Person specifies to the Notice Parties (other than itself if a Notice Party) as the address to which notices hereunder shall be addressed.

"Notice Parties" means the City, the Tender Agent, the Remarketing Agent, any Credit Enhancement Provider and any Liquidity Facility Provider.

"Outstanding," as used in the Bond Ordinance, whether or not capitalized, excludes Variable Rate Securities that have been duly called for mandatory tender or as to which the Modal Holder thereof gave notice of optional tender and, in either case, for the purchase of which the Purchase Price is held by the Tender Agent for the payment thereof;

"Period" means a period of time determined in accordance with this Agreement during which the Mode is not permitted to be changed for Variable Rate Securities in that Mode.

"Predecessor Financial Facility" means the Financial Facility for which another Financial Facility is substituted or is to be substituted.

"Principal Account" means the account by that name established by Section 8.01.

"Provider" means a Credit Facility Provider and a Liquidity Facility Provider

"Provider Securities" has the meaning given such term in Section 8.08.

"Provider-Owned Variable Rate Security" has the meaning given that term in Section 7.03.



"*Provider Rate*" means the rate of interest borne by a Provider Security as specified in the particular Financial Facility Agreement and includes any default rate or other rate increased by reason of the occurrence of an event or the passage of time, or both.

"*Purchase Date*" means the date on which Tender Securities or Provider-Owned Modal Securities are to be purchased pursuant to, respectively, the terms hereof or the terms of the Financial Facility Agreement for the Liquidity Facility.

"*Purchase Price*" means an amount equal to the principal amount of the Tender Securities to be purchased on a Purchase Date plus interest accrued to such Purchase Date.

"*Rate Determination Date*" means:

- (i) for a Daily Rate Security, each Modal Business Day;
- (ii) for a Weekly Rate Security,
  - (A) for the first Rate Determination Date, the Modal Business Day before the Mode change to a Weekly Mode;
  - (B) thereafter, each Wednesday but if such Wednesday is not a Modal Business Day then the Thursday immediately following such Wednesday.
- (iii) for a Flexible Rate Security, the first day of each Flexible Rate Period for such Flexible Rate Security;
- (iv) for a Term Rate Security, a Modal Business Day selected by the Finance Director no sooner than 30 days before and no later than the Modal Business Day immediately before the Mode Change Date; thereafter, the Modal Business Day immediately before the last day of each Term Rate Period for such Term Rate Security; and
- (v) for a Modal Fixed Rate Security, a Modal Business Day selected by the Finance Director no sooner than 30 days before and no later than the Modal Business Day immediately before the Mode Change Date.

"*Rating Agency*" means, on any date, each nationally recognized statistical rating organization (as such term is used in Rule 15c3-1 of the Securities and Exchange Commission) that has a rating in effect on the Securities on such date.

"*Rating Confirmation*" means a writing from each Rating Agency stating that the rating on the Securities will not be reduced or withdrawn (other than a withdrawal of a short term rating upon a change to a Long-Term Mode or the Auction Rate Mode) as a result of the action proposed to be taken.

"*Record Date*" means:

- (i) for a Short-Term Security, the day (whether or not a Modal Business Day) immediately before each Interest Payment Date for such Security; and

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(ii) for a Long-Term Security, the 15th day (whether or not a Modal Business Day) of the month immediately before each Interest Payment Date for such Security.

"Registrar" means the Transfer Agent in the case of Modal Fixed Rate Securities and the Tender Agent in the case of Variable Rate Securities.

"Remarketing Agent" means the Person appointed as Remarketing Agent in the Sale Order upon the acceptance of such office until a successor Remarketing Agent becomes such and thereafter, such successor Remarketing Agent.

"Remarketing Agreement" means, as of any date, an agreement then in effect between the City and the Remarketing Agent providing for the remarketing of Securities. The Remarketing Agreement in effect on the Closing Date is between the City and UBS PaineWebber Inc.

"Remarketing Fund" means the fund by that name created in Section 8.01.

"Sale Order" has the meaning give that term in the first paragraph of this instrument.

"Security" means any Series 2003(B) Security unless the context clearly requires it to mean any Series 2003 Security.

"Series 2003 Securities" means the Series 2003(B) Securities and the City's "Sewage Disposal System Senior Lien Revenue and Revenue Refunding Bonds, Series 2003(A)."

"Series 2003(B) Securities" means the Securities initially designated as "City of Detroit Sewage Disposal System Senior Lien Revenue Bonds (Variable Rate Demand), Series 2003(B)."

"Short-Term Security" means a Variable Rate Security in a Short-Term Mode.

"Short-Term Mode" means the Daily Mode, Weekly Mode and Flexible Rate Mode.

"Stated Interest Payment Date" means each January 1 and July 1.

"Stated Maximum Rate" means 12% per annum, subject to change as provided in Section 2.02.

"Tender Agent" means the Person identified as Tender Agent in the first paragraph of this instrument until a successor Tender Agent becomes such and thereafter, such successor Tender Agent.

"Tender Securities" means, as of any Purchase Date, all Modal Securities:

(i) subject to tender on such Purchase Date by reason of the Modal Holders thereof having given notice as provided in Section 6.01 and

(ii) subject to mandatory tender on such Purchase Date pursuant to Section 6.02.

"Term Securities" means any Modal Securities identified as "Term Securities" in the Signature Pages for Modal Securities to the Sale Order.

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Detroit/17-07-2013 11:25

"Term Rate Security" means any Variable Rate Security in the Term Rate Mode.  
"Term Rate" means a rate of interest determined as provided herein for the Term Rate Mode.

"Term Rate Mode" means the Mode that has all of the attributes provided by this Agreement for Variable Rate Securities bearing interest at a Term Rate.

"Termination Date" means the date on which a Financial Facility terminates by reason of a Termination Event.

"Termination Event" means any event that permits a Provider to terminate its Financial Facility and includes any non-reinstatement of interest drawn under such Financial Facility.

"Termination Notice" means a notice from a Provider stating that it is terminating its Financial Facility by reason of a Termination Event or that it is not reinstating interest drawn under such Financial Facility.

"Tranche" means all Modal Securities in a particular Mode that have the same Rate Determination Date.

"Transfer Agent" means the Person identified as Transfer Agent in the first paragraph of this instrument until a successor Transfer Agent becomes such and thereafter, such successor Transfer Agent.

"Variable Rate Mode" means any Short-Term Mode or Term Rate Mode.

"Variable Rate Security" means a Modal Security in a Variable Rate Mode.

"Weekly Mode" means the Mode that has all of the attributes provided by this Agreement for Variable Rate Securities bearing interest at a Weekly Rate.

"Weekly Rate" means a rate of interest determined as provided herein for the Weekly Mode.

"Weekly Rate Security" means any Variable Rate Security in the Weekly Mode.

**Section 1.02. Other Definitions.**

Below are certain of the terms used herein and defined in the Bond Resolution in the Sale Order and the location of such defined terms.

<u>Term</u>	<u>Location</u>
"Bond Ordinance".....	Bond Resolution, Preamble
"Credit Facility" .....	Bond Resolution, § 1
"Finance Director" .....	Bond Resolution, Preamble
"Financial Facility" .....	Bond Resolution, § 1

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Detroit/17:07:2013 11:25

"Financial Facility Agreement".....Bond Resolution, § 1

"Person".....Bond Resolution, § 1

"Registry".....GT Supplement, § 1.01

"Securities Depository".....Bond Resolution, § 1

"Type" .....Bond Resolution, § 1, and  
Composite Sale Order\*, 2

\* References to the "Composite Sale Order" are to the Sale Order exclusive of all supplements

### Section 1.03. Interpretation.

(a) The word "a" does not necessarily mean "only one" of the noun modified by "a" and, depending on the context, can mean "any particular one, without distinction, of two or more" of the noun modified by "a."

(b) The word "and," primarily when used in definitions, does not necessarily mean that all of the conjoined words must exist either independently or in conjunction with each other.

(c) The period before a specific date excludes the specific date; i.e., "five Modal Business Day before the last day of the current Term Rate Period" excludes the "last day".

(d) Words of the masculine gender include correlative words of the feminine and neuter genders.

(e) Unless the context otherwise indicates, words importing the singular include the plural and vice versa.

(f) Articles, Sections and Exhibits referred to by number mean the corresponding Articles, Sections and Exhibits of this Agreement.

(g) The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms used in this Agreement refer to this Agreement as a whole, including any exhibits and appendices.

### Section 1.04. Time.

All time expressed in this Agreement is the time in New York City on the date the particular action is to be taken unless otherwise provided.